

TOWNSHIP OF CORNELL
Delta County, Michigan

FINANCIAL REPORT

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CORNELL TOWNSHIP	County DELTA
Audit Date 3/31/04	Opinion Date 6/14/04	Date Accountant Report Submitted to State: 7/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

ANDERSON, TACKMAN & CO., PLC

Street Address

901 LUDINGTON STREET

City

ESCANABA

State

MI

ZIP

49829

Accountant Signature

Alan R. [Signature] CPA

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Township Board
Township of Cornell
Delta County, Michigan

We have audited the accompanying financial statements of the Township of Cornell, Michigan, as of and for the year ended March 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Township of Cornell prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include a financial statement of the General Fixed Assets Group of Accounts which reflects fixed assets of the Township. A General Fixed Assets Group of Accounts which reflects all general fixed assets of the Township is required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements resulting from the omissions described in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Township of Cornell, Michigan, as of March 31, 2004, and the revenues it received and expenditures it paid for the year then ended, on the cash basis of accounting as described in Note A.

Honorable Supervisor and Township Board
Township of Cornell
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Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Cornell Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Andersen, Tackman & Company P.C.

Certified Public Accountants

June 14, 2004

TOWNSHIP OF CORNELL

ALL FUND TYPES
COMBINED BALANCE SHEET - CASH BASIS

March 31, 2004

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash and equivalents -unrestricted	\$ 161,432	\$ 59,930
Due from other funds	<u>6</u>	<u>6</u>
TOTAL ASSETS	<u>\$ 161,438</u>	<u>\$ 59,936</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Due to other funds	-	-
Fund equity:		
Unreserved fund balance	<u>161,438</u>	<u>59,936</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 161,438</u>	<u>\$ 59,936</u>

See accompanying notes to financial statements.

<u>Fiduciary</u>	<u>Fund Types</u>	<u>Totals</u>
<u>Trust and</u>	<u>Current</u>	<u>(Memorandum</u>
<u>Agency</u>	<u>Tax</u>	<u>Only)</u>
	<u>Collection</u>	<u>Only)</u>
\$ -	\$ 12	\$ 221,374
-	-	12
<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 221,386</u>
-	12	12
-	-	221,374
<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 221,386</u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - CASH BASIS

For the year ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
REVENUES:			
Taxes	\$ 13,622	\$ 14,091	\$ 27,713
State sources	40,157	-	40,157
Charges for services	6,523	-	6,523
Interest and rent	2,091	524	2,615
Other	<u>240</u>	<u>-</u>	<u>240</u>
TOTAL REVENUES	<u>62,633</u>	<u>14,615</u>	<u>77,248</u>
EXPENDITURES:			
General government	24,978	-	24,978
Other general government	4,244	-	4,244
Public safety	-	7,764	7,764
Highways, streets, and bridges	30,480	-	30,480
Capital outlay	1,650	132	1,782
Other	<u>6,302</u>	<u>-</u>	<u>6,302</u>
TOTAL EXPENDITURES	<u>67,654</u>	<u>7,896</u>	<u>75,550</u>
EXCESS REVENUES (EXPENDITURES)	(5,021)	6,719	1,698
Fund balance, beginning of year	<u>166,459</u>	<u>53,217</u>	<u>219,676</u>
FUND BALANCE, END OF YEAR	<u>\$ 161,438</u>	<u>\$ 59,936</u>	<u>\$ 221,374</u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>General Fund</u>		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:			
Taxes	\$ 13,100	\$ 13,622	\$ 522
State sources	35,000	40,157	5,157
Charges for services	9,025	6,523	(2,502)
Interest and rent	2,600	2,091	(509)
Other	-	240	240
TOTAL REVENUES	<u>59,725</u>	<u>62,633</u>	<u>2,908</u>
EXPENDITURES:			
General government	29,700	24,978	4,722
Other general government	7,000	4,244	2,756
Public safety	-	-	-
Highways, streets, and bridges	40,650	30,480	10,170
Capital expenditures	2,000	1,650	350
Other	<u>12,500</u>	<u>6,302</u>	<u>6,198</u>
TOTAL EXPENDITURES	<u>91,850</u>	<u>67,654</u>	<u>24,196</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (32,125)</u>	<u>(5,021)</u>	<u>\$ 27,104</u>
Fund balance, beginning of year		<u>166,459</u>	
FUND BALANCE, END OF YEAR		<u>\$ 161,438</u>	

See accompanying notes to financial statements.

Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 15,000	\$ 14,091	\$ (909)	\$ 28,100	\$ 27,713	\$ (387)
-	-	-	35,000	40,157	5,157
-	-	-	9,025	6,523	(2,502)
750	524	(226)	3,350	2,615	(735)
-	-	-	-	240	240
<u>15,750</u>	<u>14,615</u>	<u>(1,135)</u>	<u>75,475</u>	<u>77,248</u>	<u>1,773</u>
-	-	-	29,700	24,978	4,722
-	-	-	7,000	4,244	2,756
12,500	7,764	4,736	12,500	7,764	4,736
-	-	-	40,650	30,480	10,170
15,000	132	14,868	17,000	1,782	15,218
-	-	-	12,500	6,302	6,198
<u>27,500</u>	<u>7,896</u>	<u>19,604</u>	<u>119,350</u>	<u>75,550</u>	<u>43,800</u>
<u>\$ (11,750)</u>	6,719	<u>\$ 18,469</u>	<u>\$ (43,875)</u>	1,698	<u>\$ 45,573</u>
	<u>53,217</u>			<u>219,676</u>	
	<u>\$ 59,936</u>			<u>\$ 221,374</u>	

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's combined statement of assets and liabilities - cash basis includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. The following is a summary of the more significant policies:

(1) Fund Accounting - The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial report into three generic fund types within two broad categories as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All governmental fund types are reported using the cash basis of accounting. The cash basis method dictates that revenues be recorded when cash is collected and expenditures be recorded when cash is disbursed. The cash basis method is not an appropriate reporting method under generally accepted accounting principles for governmental units.

TOWNSHIP OF CORNELL

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Budgets and Budgetary Accounting - The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to December 1, the Township Clerk submits to the Township Board a proposed operating budget of the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to the beginning of the next fiscal year the budget is legally enacted through passage of an ordinance.
- c. Budgets for the General and Special Revenue Funds are adopted on the cash basis which is not consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted by the Township Board.

(4) Property Taxes - Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the Current Tax Collection trust and agency fund. Township property tax revenues are recognized when collected in accordance with the cash basis method of accounting.

(5) Total Columns of Combined Statements - Overview - Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Combined Balance Sheet for the Township are presented below:

Deposits:	
Checking account deposits	\$ 556
Savings account deposits	157,911
Certificates of deposit	<u>62,907</u>
 TOTAL CASH AND EQUIVALENTS	 <u>\$ 221,374</u>
 Combined balance sheet presentation:	
Cash and equivalents:	
Unrestricted	<u>\$ 221,374</u>

TOWNSHIP OF CORNELL

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE B - CASH AND EQUIVALENTS (continued)

State statutes authorize the Township to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States;
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution;
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase;
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptance of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when-issued delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

TOWNSHIP OF CORNELL

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE B - CASH AND EQUIVALENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost which approximates market value. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the reporting entity's cash deposits are as follows:

	<u>Bank Balance</u>	<u>Carrying Amounts</u>
Insured	\$ 162,906	\$ 162,906
Uninsured	<u>59,267</u>	<u>58,468</u>
TOTAL	<u>\$ 222,173</u>	<u>\$ 221,374</u>

NOTE C - EMPLOYEE'S RETIREMENT SYSTEM

The Township has a defined benefit pension plan covering all of its general officials and trustees. The plan is administered by Municipal Retirement Systems, Inc. The Township and the employees each make contributions annually in the amount of 6 percent of the employees annual compensation. Information relative to the plan is as follows:

Township contribution for the year ended 3/31/04	\$ 832
Active members	8
Total annual payroll for active members	\$ 13,866
Employer contribution as a percent of payroll	6.0%

Additional information required by GASB Statement #25 and #27 is not available.

NOTE D - RISK MANAGEMENT

The Township has purchased commercial insurance to protect itself from the risk arising from property, liability and automotive issues. All applicable areas of risk are covered by purchased commercial insurance.

The Township has had no significant reduction in insurance coverage over the past three years.

NOTE E - ECONOMIC DEVELOPMENT CORPORATION

The Township Board appoints the Board for the Cornell Township Economic Development Corporation. This EDC board has renewed a bond issue that is in the amount of \$25 million dollars and is the primary obligation of

TOWNSHIP OF CORNELL

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE E - ECONOMIC DEVELOPMENT CORPORATION (continued)

Mead Westvaco Corporation. The EDC Board has no other activity. The EDC Board, and ultimately the Township Board, would bear the obligation of these bonds if Mead Westvaco defaulted and the bonds remained unsatisfied through bankruptcy claims. The Township Board feels that this possibility is very remote. Consequently these bonds do not appear as an obligation for the Township in these financial statements.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF CORNELL

GENERAL FUND
STATEMENT OF REVENUES AND OTHER FINANCING
SOURCES - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes:			
Current property taxes	\$ 10,000	\$ 10,606	\$ 606
Other taxes	<u>3,100</u>	<u>3,016</u>	<u>(84)</u>
Total Taxes	<u>13,100</u>	<u>13,622</u>	<u>522</u>
State source:			
State revenue sharing	<u>35,000</u>	<u>40,157</u>	<u>5,157</u>
Charges for services:			
Services rendered	25	25	-
Tax collection admin fees	<u>9,000</u>	<u>6,498</u>	<u>(2,502)</u>
Total Charges for Services	<u>9,025</u>	<u>6,523</u>	<u>(2,502)</u>
Interest and Rent	<u>2,600</u>	<u>2,091</u>	<u>(509)</u>
Other:			
Reimbursements	<u>-</u>	<u>240</u>	<u>240</u>
TOTAL REVENUES	<u>\$ 59,725</u>	<u>\$ 62,633</u>	<u>\$ 2,908</u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

GENERAL FUND
STATEMENT OF EXPENDITURES - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government:			
Legislative - Township Board:			
Salaries, wages and fringes	\$	{ \$ 1,800	\$
Contracted services		743	
Printing and publishing		127	
Pension Expense		832	
Miscellaneous	<u>6,600</u>	<u>1,011</u>	<u>2,087</u>
	<u>6,600</u>	<u>4,513</u>	<u>2,087</u>
Executive - Supervisor/Assessor:			
Salaries and wages		{ 4,950	
Supplies		1,133	
Travel		600	
Miscellaneous	<u>7,000</u>	<u>120</u>	<u>197</u>
	<u>7,000</u>	<u>6,803</u>	<u>197</u>
Clerk:			
Salaries and wages		{ 4,200	
Supplies		158	
Travel	<u>6,800</u>	<u>600</u>	<u>1,842</u>
	<u>6,800</u>	<u>4,958</u>	<u>1,842</u>
Treasurer:			
Salaries and wages		{ 2,475	
Supplies		103	
Travel		600	
Property tax administration		5,217	
Miscellaneous	<u>6,800</u>	<u>15</u>	<u>(1,610)</u>
	<u>6,800</u>	<u>8,410</u>	<u>(1,610)</u>
Election:			
Salaries and wages		{ 59	
Supplies		207	
Travel	<u>2,500</u>	<u>28</u>	<u>2,206</u>
	<u>2,500</u>	<u>294</u>	<u>2,206</u>
Total General Government	<u>29,700</u>	<u>24,978</u>	<u>4,722</u>

(continued)

TOWNSHIP OF CORNELL

GENERAL FUND
STATEMENT OF EXPENDITURES - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other general government:			
Building and grounds:			
Public utilities	\$	{ \$ 1,668	\$
Janitor wages		1,415	
Maintenance and supplies		505	
Miscellaneous	<u>7,000</u>	<u>656</u>	<u>2,756</u>
Total Other General Government	<u>7,000</u>	<u>4,244</u>	<u>2,756</u>
Highways, streets, and bridges:			
Contracted services - roads	40,000	29,870	10,130
Street lights	<u>650</u>	<u>610</u>	<u>40</u>
Total Highways, Streets, and Bridges	<u>40,650</u>	<u>30,480</u>	<u>10,170</u>
Capital outlay	<u>2,000</u>	<u>1,650</u>	<u>350</u>
Other:			
Insurance	4,000	3,903	97
Board of review	2,000	1,266	734
Contingent and miscellaneous	4,000	-	4,000
Recreation	1,500	1,133	367
Tax refunds	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Other	<u>12,500</u>	<u>6,302</u>	<u>6,198</u>
TOTAL EXPENDITURES	<u>\$ 91,850</u>	<u>\$ 67,654</u>	<u>\$ 24,196</u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL

For the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 15,000	\$ 14,091	\$ (909)
Interest income	<u>750</u>	<u>524</u>	<u>(226)</u>
TOTAL REVENUES	<u>15,750</u>	<u>14,615</u>	<u>(1,135)</u>
EXPENDITURES:			
Public safety:			
Snow plowing	300	338	(38)
Electricity and heat	2,500	1,668	832
Truck fuel	500	62	438
Insurance	4,200	4,886	(686)
Maintenance	2,000	-	2,000
Contingency	2,000	-	2,000
Miscellaneous	1,000	810	190
Capital outlay:			
New equipment	5,000	132	4,868
Building improvements	<u>10,000</u>	<u>-</u>	<u>10,000</u>
TOTAL EXPENDITURES	<u>27,500</u>	<u>7,896</u>	<u>19,604</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (11,750)</u>	6,719	<u>\$ 18,469</u>
Fund balance, beginning of year		<u>53,217</u>	
FUND BALANCE, END OF YEAR		<u>\$ 59,936</u>	

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

**TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - CASH BASIS**

March 31, 2004

	<u>Balance</u> <u>04/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/04</u>
<u>TRUST AND</u>				
<u>AGENCY FUND</u>				
Assets:				
Cash	\$ <u> -</u>	\$ <u> 6,397</u>	\$ <u> 6,397</u>	\$ <u> -</u>
Liabilities:				
Undistributed taxes				
and interest:				
Township of				
Cornell:				
General Fund	\$ <u> -</u>	\$ <u> 3,323</u>	\$ <u> 3,323</u>	\$ <u> -</u>
Fire Fund	<u> -</u>	<u> 3,074</u>	<u> 3,074</u>	<u> -</u>
TOTAL LIABILITIES	\$ <u> -</u>	\$ <u> 6,397</u>	\$ <u> 6,397</u>	\$ <u> -</u>
<u>CURRENT TAX</u>				
<u>COLLECTION FUND</u>				
Assets:				
Cash	\$ <u> 10</u>	\$ <u> 370,563</u>	\$ <u> 370,561</u>	\$ <u> 12</u>
Liabilities:				
Undistributed taxes				
and interest:				
Township of				
Cornell:				
General Fund	\$ <u> 5</u>	\$ <u> 13,792</u>	\$ <u> 13,791</u>	\$ <u> 6</u>
Fire Fund	<u> 5</u>	<u> 11,160</u>	<u> 11,159</u>	<u> 6</u>
Intermediate				
School District	<u> -</u>	<u> 28,782</u>	<u> 28,782</u>	<u> -</u>
Delta County	<u> -</u>	<u> 132,177</u>	<u> 132,177</u>	<u> -</u>
Delta County - CFR	<u> -</u>	<u> 14,418</u>	<u> 14,418</u>	<u> -</u>
School District	<u> -</u>	<u> 121,933</u>	<u> 121,933</u>	<u> -</u>
Community Action				
Agency	<u> -</u>	<u> 6,971</u>	<u> 6,971</u>	<u> -</u>
Community College	<u> -</u>	<u> 41,330</u>	<u> 41,330</u>	<u> -</u>
TOTAL LIABILITIES	\$ <u> 10</u>	\$ <u> 370,563</u>	\$ <u> 370,561</u>	\$ <u> 12</u>

(continued)

TOWNSHIP OF CORNELL

TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - CASH BASIS

March 31, 2004

	Balance <u>04/01/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>03/31/04</u>
<u>TOTALS - ALL</u>				
<u>TRUST AND</u>				
<u>AGENCY FUNDS</u>				
Assets:				
Cash	\$ <u>10</u>	\$ <u>376,960</u>	\$ <u>376,958</u>	\$ <u>12</u>
Liabilities:				
Undistributed taxes and interest:				
Township of Cornell:				
General Fund	\$ 5	\$ 17,115	\$ 17,114	\$ 6
Fire Fund	5	14,234	14,233	6
Intermediate School District	-	28,782	28,782	-
Delta County	-	132,177	132,177	-
Delta County - CFR	-	14,418	14,418	-
School District	-	121,933	121,933	-
Community Action Agency	-	6,971	6,971	-
Community College	-	41,330	41,330	-
TOTAL LIABILITIES	\$ <u>10</u>	\$ <u>376,960</u>	\$ <u>376,958</u>	\$ <u>12</u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL

ANALYSIS OF 2003 TAX LEVY AND COLLECTIONS

For the year ended March 31, 2004

	<u>Delta County</u>	<u>County Extra Voted</u>	<u>Intermedi- ate School District</u>	<u>Escanaba Area Public School Operations</u>
Taxable value	\$12,587,171	\$12,587,171	\$12,587,171	\$5,049,747
Tax rate per \$1,000 of taxable value	<u>5.0952</u>	<u>1.4767</u>	<u>2.4375</u>	<u>18.0000</u>
TAX LEVY	64,134	18,587	30,681	90,895
Less:				
Taxes returned delinquent	<u>(4,090)</u>	<u>(1,185)</u>	<u>(1,956)</u>	<u>(4,933)</u>
TOTAL TAXES COLLECTED	60,044	17,402	28,725	85,962
Add:				
Delinquent personal property taxes	124	29	57	(679)
Collection fees	-	-	-	-
Commercial forest reserve	14,418	-	-	-
Interest earned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COLLECTIONS	74,586	17,431	28,782	85,283
Less:				
Distribution of col- lections to taxing unit	<u>(74,586)</u>	<u>(17,431)</u>	<u>(28,782)</u>	<u>(85,283)</u>
UNDISTRIBUTED TAXES AND INTEREST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

<u>Escanaba Area Public Schools Debt</u>	<u>Township of Cornell</u>	<u>Township Fire Department</u>	<u>State Education Tax</u>	<u>Bay De Noc Community College</u>	<u>Totals</u>
\$12,587,171	\$12,587,171	\$12,587,171	\$12,587,171	\$12,587,171	
<u>3.1100</u>	<u>.8984</u>	<u>.9333</u>	<u>5.0000</u>	<u>3.5000</u>	
39,146	11,308	11,748	62,936	44,056	\$ 373,491
<u>(2,496)</u>	<u>(721)</u>	<u>(749)</u>	<u>(2,593)</u>	<u>(2,810)</u>	<u>(21,533)</u>
36,650	10,587	10,999	60,343	41,246	351,958
-	24	25	123	84	(213)
-	3,044	-	-	-	3,044
-	-	-	-	-	14,418
<u>-</u>	<u>142</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>284</u>
36,650	13,797	11,166	60,466	41,330	369,491
<u>(36,650)</u>	<u>(13,791)</u>	<u>(11,160)</u>	<u>(60,466)</u>	<u>(41,330)</u>	<u>(369,479)</u>
<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

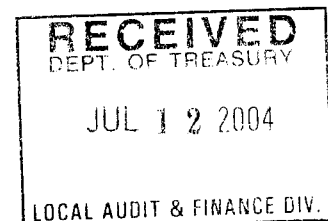
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

REPORT TO MANAGEMENT

Honorable Supervisor and Township Board
Township of Cornell
Delta County, Michigan



Audit Committee Communications

We have audited the financial statements of the Township of Cornell, Delta County, for the year ended March 31, 2004, and have issued our reports thereon dated June 14, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Cornell. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for the selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Cornell are described in Note A of the financial statements.

Honorable Supervisor and Township Board
Township of Cornell

Significant Accounting Policies (continued)

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Township of Cornell during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Township of Cornell, or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant advise us so we may determine if the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Suggestions

In planning and performing our audit of financial statements of the Township of Cornell for the year ended March 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on financial statements and not to provide assurance on the internal control structure.

Honorable Supervisor and Township Board
Township of Cornell

However, during our audit we became aware of matters that were opportunities for strengthening internal controls an/or operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 14, 2004 on the financial statements of the Township of Cornell.

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Anderson, Tackman & Company P.A.C.

Certified Public Accountants

June 14, 2004

TOWNSHIP OF CORNELL

COMMENTS AND RECOMMENDATIONS

March 31, 2004

FIXED ASSETS

A fixed asset group of accounts, as required by generally accepted accounting principles, should be maintained to account for the cost of all land, buildings, and equipment owned by the Township.

SUMMER TAX COLLECTIONS

During our audit we noted \$18,026 of summer tax collections that were not recorded in the general ledger. We recommend that all activity for the township be recorded in the general ledger.

NEW FINANCIAL REPORTING MODEL

Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" was recently released. The statement established new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. We have highlighted some of the major changes below for your information.

The statement requires governments to continue to present financial statements that provide information about funds; however, governments will now be required to report information about their most important, or "major" funds. Additionally, governments will require to continue to provide budgetary comparison information in their annual reports; however, added to that comparison will be the original budget.

Also required by the statement is management's discussion and analysis (referred to as MD&A). For the first time, financial managers will be asked to share their insights in a required MD&A by giving readers an objective and easily readable analysis of the government's financial performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations.

The use of account groups, namely the General Fixed Asset Account Group and the General Long-Term Debt Account Group, will be discontinued. Capital assets and long-term debt will be reported with other assets and liabilities of the governmental unit in a required "Statement of Net Assets." Capital assets will now be depreciated with depreciation expense reported in a required "Statement of Activities." Costs for infrastructure will be required to be capitalized and depreciated along with the more commonly known capital assets.

TOWNSHIP OF CORNELL

COMMENTS AND RECOMMENDATIONS

March 31, 2004

NEW FINANCIAL REPORTING MODEL (continued)

The requirements of this statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with revenues of \$100 million should apply the statement for periods beginning after June 15, 2001, governments with revenues of \$10 million to \$100 million for periods beginning after June 15, 2004 and governments with revenues of \$10 million and less for periods beginning after June 15, 2003, but earlier application is encouraged.